

Piedmont Natural Gas Company

David J. Dzuricky  
Senior Vice President-Finance

'98 FEB 5 PM 3 57 Post Office Box 33068  
Charlotte, North Carolina 28233

January 30, 1998

Mr. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Re: Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval to Defer Year 2000 Compliance Project Costs and for Establishment of a Regulated Asset Account for the Recovery of Such Costs in a Subsequent General Rate Case  
Docket No. 98- 98-00064

Dear Mr. Waddell:

I am enclosing for filing in the above captioned proceeding the original and fourteen copies of an Application of Nashville Gas Company, a Division of Piedmont Natural Gas Company, for Approval to Defer Year 2000 Compliance Project Costs and for Establishment of a Regulated Asset Account for the Recovery of Such Costs in a Subsequent General Rate Case. A check in the amount of \$25.00 is enclosed in payment of the filing fee.

I am enclosing an additional copy of the Application that I would appreciate your stamping filed and returning in the enclosed envelope.

Sincerely,



David J. Dzuricky

DJD:kam  
Encl.

**Before The  
Tennessee Regulatory Authority  
Nashville, Tennessee**

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Application of Nashville Gas Company, a Division of  
Piedmont Natural Gas Company, for Approval to Defer  
Year 2000 Compliance Project Costs and for  
Establishment of a Regulated Asset Account for the  
Recovery of Such Costs in a Subsequent General Rate  
Case

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Docket No. 98-00064

**Application**

Nashville Gas Company (Nashville), a division of Piedmont Natural Gas Company, Inc. (Piedmont), hereby respectfully requests the Authority to approve the deferral of outside labor costs related to the repair of existing systems for the Year 2000 Compliance Project into a designated regulatory asset account and to permit Nashville to seek recovery of such costs in its next general rate case. In support of this request, Nashville respectfully shows the following:

**I.**

**Identity of Applicant.**

The full name and address of the Petitioner is:

Nashville Gas Company  
655 Mainstream Drive  
Nashville, TN 37228

**II.**

**Service List.**

The names and addresses of all persons to whom correspondence, petitions, interventions and other communications relative to this Application should be mailed are as follows:

John H. Maxheim  
Chairman, President and Chief Executive Officer  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, NC 28233

(Service List Continued on Next Page)

Bill R. Morris  
Director of Rates  
Piedmont Natural Gas Company, Inc.  
P.O. Box 33068  
Charlotte, NC 28233

### **III.**

#### **Jurisdiction of Authority**

Piedmont is incorporated under the laws of the State of North Carolina and is engaged in the business of transporting, distributing and selling gas in the States of Tennessee, North Carolina and South Carolina. Piedmont is a public utility under the laws of Tennessee, and its public utility operations in Tennessee are subject to the jurisdiction of this Authority. Piedmont conducts its public utility business in Tennessee through its operating division, Nashville. Nashville maintains an office at 665 Mainstream Drive, Nashville, Tennessee. Nashville is engaged in the business of furnishing natural gas in Davidson County and in portions of Cheatham, Dickson, Robertson, Rutherford, Sumner, Trousdale, Williamson and Wilson Counties, Tennessee, and in certain incorporated towns therein.

### **IV.**

#### **Purpose of Application.**

The purpose of this application is to seek approval to defer outside labor costs related to the repair of existing systems for the Year 2000 Compliance Project into a designated regulatory asset account so that Nashville can seek recovery of these costs in its next general rate case. Nashville is not requesting recovery of these costs at this time. Instead, Nashville is simply requesting permission to record these costs in a manner that will permit it to seek recovery in its next general rate case. At that time, the Authority can determine whether recovery is appropriate.

## **VI.**

### **Description of Year 2000 Costs**

As the Authority is aware, many computer programs and systems that are in use by industries in the United States were not designed to handle changes related to the Year 2000. Piedmont has completed its inventory of affected computer programs and systems, has developed plans to make its programs and systems Year 2000 compliant, and has begun to contract for and execute remediation plans. The Emerging Issues Task Force of the Financial Accounting Standards Board has concluded that costs related to Year 2000 compliance should be expensed currently rather than capitalized and depreciated over time. Piedmont is seeking herein the Authority's approval for the deferral of the outside contractor labor costs related to the repair of existing systems to make them Year 2000 compliant. Piedmont is not seeking herein to defer any of the labor costs of its own employees working on the Year 2000 Compliance Project.

## **VI.**

### **Precedent for Relief Being Sought.**

The accounting treatment sought in this application is similar to the accounting treatment approved by the Tennessee Public Service Commission (TPSC) in December 1992 in Docket No. 92-16160. In that docket, Nashville sought approval for the establishment of a regulatory asset account for environmental assessment and cleanup costs associated with the Company's manufactured gas plant sites. In its December 21, 1992 Order approving the requested accounting treatment, the Commission stated the following:

"Authorizing past cleanup expenses as a regulatory asset does not mean the Commission will authorize the Company to recover all or part of these expenses from future rate payers. It simply says the Commission will consider this in a rate case when the Commission will have evidence concerning the total amount of the cleanup cost, who is responsible for the cleanup costs, and the fairness of passing this cost on to rate payers."

**VI.**

**Request for Approval.**

WHEREFORE, Nashville respectfully requests the Authority to approve the deferral of outside labor costs related to the repair of existing systems for the Year 2000 Compliance Project into a designated regulatory asset account and to permit Nashville to seek recovery of such costs in its next general rate case.

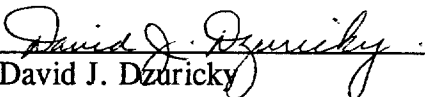
This the 31<sup>st</sup> day of January, 1998.

**Nashville Gas Company, a Division of  
Piedmont Natural Gas Company, Inc.**

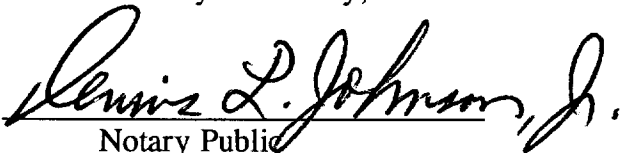
By: David J. Dzuricky  
David J. Dzuricky  
Senior Vice President - Finance

STATE OF NORTH CAROLINA       )  
  )  
COUNTY OF MECKLENBURG       )

David J. Dzuricky, being first duly sworn, states that he is Senior Vice President - Finance of Piedmont Natural Gas Company, Inc., that he has read the foregoing Petition, that the facts stated therein are true to the best of his knowledge, information and belief and that he has been duly authorized to execute the foregoing Petition on behalf of Piedmont Natural Gas Company, Inc.

  
\_\_\_\_\_  
David J. Dzuricky

Sworn to and subscribed before me  
this the 30<sup>th</sup> day of January, 1998

  
\_\_\_\_\_  
Notary Public

My commission expires:

October 24, 2000